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SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS 04/01/08

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- 5) Sailor now under Navy custody was picked up by security cameras at Shinagawa JR Station and Yokosuka bar street on night of cabbie slaying (Mainichi)
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- 15) Cost in lost revenues will run 6 billion yen a day due to gasoline tax bill's not being passed (Mainichi)
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- 17) Democratic Party of Japan head Ozawa expects Diet dissolution and general election in May (Mainichi)
- 18) Fiscal 2008 economic outlook being revised downward from current forecast of 2.1 PERCENT to the 1-percent level (Yomiuri)

Articles:

1) TOP HEADLINES

Asahi, Mainichi, Yomiuri, Tokyo Shimbun & Akahata :  
Provisional gasoline tax expired; Fukuda apologizes for political failure; Gasoline prices falling

Nikkei:

Nikkei Average drops by 27.5 PERCENT in fiscal 2007, affected by concern about dollar

Sankei:

Fukuda now on offensive, cutting off retreat, by announcing road specific tax revenues will be moved into general account

2) EDITORIALS

Asahi:

(1) How to resolve political stalemate?

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Mainichi:

(1) Divided Diet: Voters can change it; Prime Minister Fukuda should not avoid dissolving the Lower House

Yomiuri:

- (1) Provisional gas tax expires: Don't hesitate to take revote
- (2) Amendment to Labor Law on Part-Timers: Removal of unreasonable gaps in treatment indispensable

Nikkei:

- (1) Take revote to implement pledge that road-specific tax revenues will be moved into general account
- (2) Be patient to learn how to work

Sankei:

(1) Confusion in April: Politics needs to return to normal; Revote necessary to resolve confusion

Tokyo Shimbun:

- (1) Gasoline price cut: Every measure needs to be taken to contain confusion
- (2) Fabricated report on materials used for construction of expressway: Public trust again lost

Akahata:

(1) Start of new fiscal year: Discriminatory medical care system must be suspended or abolished

3) Prime Minister's Official Residence (Kantei)

Prime Minister's schedule, March 31

NIKKEI (Page 2) (Full)  
April 1, 2008

08:55

Met Chief Cabinet Secretary Machimura at his official residence.

10:07

Met LDP Election Strategy Council Chairman Koga and Deputy Chairman Suga at the Kantei.

13:20

Met LDP Reform Headquarters chief Chuma.

14:32

Met Machimura.

15:00

Met Economic and Fiscal Policy Minister Ota and others. Ota stayed on. Afterward met Vice Foreign Minister Yabunaka.

16:12

Met Vice Health, Labor and Welfare Minister Erikawa and Insurance Bureau Director-General Mizuta.

16:57 Attended an LDP executive meeting held in the Diet building.

17:23

Met New Komeito Representative Ota in the presence of LDP Secretary General Ibuki and his New Komeito counterpart Kitagawa and Machimura.

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18:00

Held a press conference at the Kantei.

18:44

Returned to his official residence.

4) U.S. sailor hints at killing cabbie

NIKKEI (Page 43) (Full)

April 1, 2008

A 22-year-old Nigerian American U.S. serviceman detained by the U.S. Navy on a charge of desertion hinted at his involvement in the killing of a taxicab driver in Yokosuka, Kanagawa Prefecture, sources said yesterday.

The U.S. sailor used to visit a female acquaintance at her home in Tokyo, sources said. The woman has explained that the 20-centimeter kitchen knife used to kill the 61-year-old taxi driver, Masaaki Takahashi, looks like a kitchen knife that disappeared from her home.

A task force of Kanagawa prefectural police's Yokosuka police station strongly suspects that the sailor was involved in the murder. The police will now compare fingerprints found on the kitchen knife with those of the sailor's as well as DNA microscopic analysis. At the same time, the police will shortly ask the U.S. Navy for cooperation and will question the sailor.

If the serviceman is found to have been involved in the murder, the task force will obtain an arrest warrant for him and will ask the U.S. military to turn him over before his indictment under an agreement to improve the Japan-U.S. Status of Forces Agreement's implementation.

According to investigative sources, the serviceman had earlier denied his involvement in the incident by telling U.S. Navy investigative authorities that he was at a bar on the evening of the day when the murder took place and that he had lost his credit card and had never ridden in Takahashi's taxi. However, the sailor later began implying he had been involved in the murder, the sources said.

The task force has now found from its investigation so far that the serviceman's credit card was discovered inside the taxi, that he called a male acquaintance of his from a place close to the site of the incident right after that and implied his involvement in the incident, and that a man who resembled the serviceman was caught by a security camera set up near Tokyo's Shinagawa station where Takahashi took on his last customer.

The task force investigated call logs of the sailor's mobile phone and contacts and is currently proceeding to compare his fingerprints

with those sampled from the kitchen knife and the DNA analysis of his oral mucosal tissue sample provided by the U.S. Navy.

5) Taxi driver murder: U.S. sailor caught by security cameras?

MAINICHI (Page 31) (Full)  
April 1, 2008

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Masaaki Takahashi, a 61-year-old taxi driver, was found stabbed to death in the city of Yokosuka, Kanagawa Prefecture, on the evening of Mar. 19. In this connection, a man bearing a close resemblance to a 22-year-old U.S. serviceman, currently detained by the U.S. Navy on a charge of desertion, was caught that evening by security cameras set up at Tokyo's Shinagawa Station and along a street of eateries near the site of the crime. The man was not caught by any of the security cameras set up at railway stations near the site of the incident. Kanagawa prefectural police therefore take this as a sort of material evidence showing that the U.S. serviceman rode in Takahashi's taxi.

According to investigative sources, Takahashi picked up his last customer near Shinagawa Station at 7:30 p.m. Mar. 19. Shortly before that, a man looking like the U.S. serviceman came out of a ticket gate at the station, the sources said. A little after 9:20 p.m., when Takahashi was slain, a man believed to be the same one was also caught by security cameras set up along Yokosuka City's eatery district known as "Dobuita Dori," which is several hundred meters from the crime scene. Meanwhile, this man was not caught by any of the security cameras at Keihin Kyuko Shioiri Station or other railway stations. The U.S. serviceman has denied his involvement in the incident by telling U.S. Navy investigative authorities that he was at an eatery in the Dobuita Dori street when the incident took place. However, the police take it as a sort of material evidence that contradicts his statement.

6) Sympathy budget expires

SANKEI (Page 5) (Full)  
April 1, 2008

With the expiration on March 31 of the Japan-U.S. special measures agreement on the country's host-nation support for the costs of stationing U.S. forces in Japan (sympathy budget), a vacuum period in the execution of the budget has now been created starting on April 1. During this period, the United States will pay for utilities and other expenses in place of Japan. The government intends to get Diet approval for a new agreement by mid-April "in order to minimize its negative effects on Japan-U.S. relations," as a senior Foreign Ministry official put it. In a press conference yesterday, Administrative Vice-Foreign Minister Mitoji Yabunaka highlighted the need for the new agreement to obtain Diet approval early, saying, "It is indispensable for the smooth operation of the Japan-U.S. security setup."

The ruling and opposition camps have agreed to let the House of Representatives Foreign Affairs Committee to take a vote on the new agreement on April 2. Although the ruling camp intends to adopt the agreement in a Lower House plenary session as early as April 3 to send it to the opposition-controlled House of Councillors, the Democratic Party of Japan has yet to determine its response.

7) Ishiba to visit U.S. during Golden Week

NIKKEI (Page 2) (Full)  
April 1, 2008

Defense Minister Shigeru Ishiba yesterday began coordination for visiting the United States during the Golden Week holiday period from late April. During his stay in the United States, Ishiba plans to hold talks with Secretary of Defense Robert Gates and others to

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exchange views on the promotion of realignment of U.S. forces in Japan, including the relocation and return of Futenma Air Station, and the moves of China, which is rapidly modernizing its military. The planned visit to the United States will be Ishiba's first overseas trip since assuming office. A meeting between the defense chiefs of Japan and the United States will take place for the first time since Gates' visit to Japan last November.

8) Agreement reached for top Chinese Navy, Air Force leaders to visit Japan this year and study cooperation on PKOs

NIKKEI (Page 2) (Full)  
April 1, 2008

The governments of Japan and China held vice-defense-minister-level talks in Beijing on March 31 and reached an agreement to expand defense exchanges, including visits to Japan by top Chinese Navy and Air Force leaders later this year. The two sides also agreed to study Japan-China cooperation in UN peacekeeping operations (PKO). Additionally, they agreed to hold a first working-level meeting in April to build an emergency communication system between defense authorities of the two countries. They also confirmed that Defense Minister Shigeru Ishiba will visit China before the end of the year.

From Japan, Vice-Defense Minister Kohei Masuda and from China, Deputy Chief of the General Staff of the People's Liberation Army Ma Xiaotian and others attended the meeting. Touching on riots in Lhasa, the capital of the Tibet Autonomous Region, Masuda said, "We strongly hope for a peaceful settlement." In response, Ma said: "The Tibetan issue is not a religious matter but a political issue orchestrated by the Dalai Lama. The Chinese government has the ability and responsibility to maintain social order."

9) Chinese President Hu to visit Japan on May 6

YOMIURI (Page 2) (Full)  
April 1, 2008

It has been set that Chinese President Hu Jintao will visit Japan as a state guest, starting on May 6. He is expected to visit Nara Prefecture as well as Tokyo. Tokyo and Beijing are now coordinating his schedule with the possibility of his staying in Japan for six days. This will be the first visit of a Chinese president to Japan since Jiang Zemin came in November 1998. The governments of both countries are now considering formally releasing a schedule for Hu's Japan visit when Foreign Minister Yang Jiechi comes to Japan on April 17.

10) Dalai Lama to stop over in Japan; Government to calmly watch situation

SANKEI (Page 5) (Full)  
April 1, 2008

It became clear yesterday that the 14th Dalai Lama of the Tibetan Buddhism supreme leader will stop over in Japan on April 10 in transit to the United States amid riots in Tibet. The Japanese government intends to watch it calmly, with a high-ranking government official saying, "Transit will not cause any problem."

According to a person concerned, the 14th Dalai Lama will stop by at

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Narita Airport on his way to Seattle to attend an event there in April. During his several hours of stay in Japan, the Tibetan Buddhism leader is scheduled to meet with supporters of the Tibetan government in exile but not with lawmakers. The Dalai Lama last visited Japan last November during which time he met with Democratic Party of Japan Secretary General Yukio Hatoyama and others in Tokyo. This was followed by a statement by the Chinese Embassy in Japan condemning the DPJ.

11) North Korean refugee at Japanese Embassy in Laos seeking to go to Japan; Government fretting over how to handle case

It was learned yesterday that a North Korean refugee who had taken asylum at the Japanese Embassy in Laos is seeking to go to Japan. A government official confirmed the fact. The North Korean male has reportedly said his mother is a Japanese citizen who had married a Korean in Japan and later settled in the North. Although the Japanese government will make a decision on whether it will allow him to enter Japan after considering his relations with Japan, it will likely have a hard time coping with the matter as it is difficult to secure accurate information about him.

Administrative Vice Foreign Minister Mitoji Yabunaka said at a press conference yesterday: "The Japanese government cannot make any comment because of the nature of the matter" when asked about whether the Japanese Embassy was taking the North Korean under asylum. According to a South Korean news agency, the North Korean man is in his twenties and that he rushed into the Japanese Embassy on the morning of March 27.

It appears that the individual has been taken into protective custody at the Japanese Embassy. A government official said that the Japanese government has been gathering information on whether the North Korean man is really the son of a Japanese woman, but it has yet to confirm it.

The Japanese government allows North Korean refugees who have Japanese nationality to enter Japan under protective custody. Regarding North Korean refugees who do not have Japanese nationality, the government has taken a policy of making a decision on each case after examining the facts. The focus of the asylum case this time is whether his mother is really Japanese. Confirming that may be difficult.

12) Gasoline prices to be lowered from today: Lower House to hold second vote on road-related taxes by end of April; Prime minister apologizes for political buck-passing

ASAHI (Top Play) (Excerpts)  
April 1, 2008

The provisional tax rate for special-purpose road construction revenues, including the gasoline tax, expired yesterday. The government and the ruling parties are determined to reinstate the provisionally higher tax rate by holding a second vote on the bill amending the Special Tax Measures Law aimed at maintaining the provisional rate. They will also look into measures to assist oil suppliers and ways to deal with local governments that will face revenue shortages.

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Prime Minister Fukuda yesterday evening held a press conference and offered an apology for the expiration of the provisional tax rate, noting: "Expiration of the provisional gas tax rate will disrupt people's lives and create a fiscal mess for local governments. I regret that the government was unable to prevent such confusion from occurring." He then indicated his strong resolve to reinstate the provisional tax rate, saying, "Revenue shortfalls will pass the buck to future generations. I would like to reinstate the provisional tax rate for the sake of the future of this country and children."

The prime minister also said that chances are high that the level of the gas tax, including the provisional rate, will be maintained next year as well, citing that it is not appropriate to cut gasoline prices at a time when importance should be attached to environmental issues and that the abolition of the provisional gas tax rate will bring about a loss of 2.6 trillion yen in tax revenues, affecting administrative services by the central and local governments.

Revenue deficits as a result of the expiration of the provisional gas tax rate are expected to reach 120 billion yen a month for the central government and 60 billion yen for local governments. The government will for the time being single out project items with urgency in implementing the road budget and decide what to do about

them, after determining when the provisional tax rate can be reinstated.

### 13) Prime Minister Fukuda apologizes to the public

YOMIURI (Page 1) (Full)  
April 1, 2008

At a press conference last night, Prime Minister Yasuo Fukuda apologized to the public over the expiration of the provisional gasoline tax rate at a press conference at the Prime Minister's Office. He stated:

"If we politicians had been really serious about the matter, we could have avoided it. I apologize from the bottom of my heart for the fact that the people have to pay for failure in politics."

Fukuda also said:

"The more the tax rates are cut, the bigger the hole in public finances becomes. Issuing government deficit bonds is a way to cover that revenue shortfall, but it is not the time to be doing that given the current financial situation."

Fukuda indicated in his remarks that he would revive the provisional gas tax by readopting the tax-related bills, including a bill amending the Special Taxation Measures Law, in the House of Representatives. The House of Councillors will launch deliberations on the tax-related bills tomorrow.

Asked about the possibility of talks with Ichiro Ozawa, president of the main opposition Democratic Party of Japan (DPJ or Minshuto), Fukuda said: "I want to propose talks, but I also have to consider what we really have to talk about."

Meanwhile, Ozawa told reporters in Shizuoka: "Leaving the amount of money normally paid in extra taxes in taxpayer's pockets will be an effective economic measure, particularly in rural areas." As to the

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possibility of talks with Fukuda, he said: "I am ready to accept an offer anytime, but we think it best to leave the provisional tax in taxpayers' hands," suggesting it would be difficult for Fukuda to expect a breakthrough in any such talks.

The government plans to extend financial help to gasoline stations.

### 14) Road-construction projects being frozen one by one; Governors angry at central legislators for causing turmoil

YOMIURI (Page 2) (Full)  
April 1, 2008

Following the expiration of the provisional gasoline tax rate on March 31, one local government after another has decided to freeze road-related projects planned for FY2008. Internal Affairs Minister Masuda said that the government needs to implement appropriate financial measures to help local governments to cover a shortfall of their annual tax revenue, but a number of prefectures have revealed plans to put projects planned for April on hold for the time being.

Prefectural governments were busy yesterday announcing their policy lines or holding emergency meetings to discuss response measures.

The Kanagawa prefectural government held an emergency meeting by executive members last evening and decided to freeze a new highway-construction project worth approximately 47.9 billion yen. The Ishikawa prefectural government also held a meeting by Governor Masanori Tanimoto and other assembly members and agreed to freeze the use of the 7.2 billion yen set aside for highway-construction projects. Okinawa Prefecture announced that it would freeze highway-related projects for the time being, with the exception of minimum necessary projects.

Governors voiced discontent at central government legislators for their failure in reaching an agreement on the issue. Miyazaki

Governor Yoshihiro Murai told reporters: "I had not anticipated that the ruling and opposition parties would fail to reach an agreement by the 31st. We must map out measures in accordance with the worst-case scenario (in which the provisional tax rates lapse)."

Tochigi Governor Tomikazu Fukuda claimed: "Discussion on the issue should have been started one year ago, taking enough time and in a serious manner."

Mie Governor Akihiko Noro revealed in a prefectural assembly plenary session yesterday a plan to set up a task force headed by the governor on April 1, in preparation of the expiration of the provisional tax rates. The panel will discuss how to respond to inquiries from prefectural citizens and the possibility of freezing planned highway-construction projects.

The Fukui prefectural government is conducting a fact-finding inquiry on municipal governments to fix an order of priority for projects on the drawing board. It intends to put some of them on hold as it will lose 450 million yen in tax revenues in April alone.

15) Central and local governments to lose 6 billion yen in tax revenues a day

MAINICHI (Page 2) (Excerpts)

TOKYO 00000881 009 OF 011

April 1, 2008

In a press conference last night, Finance Minister Fukushiro Nukaga said in a strong tone: "The central and local governments will lose 4 billion yen and 2 billion yen in tax revenues a day, respectively. We must make utmost efforts to enact (the amendment bill) as soon as possible." Calls for reviving the provisional tax rates are also coming from a number of local government heads. Administrative officers harbor a strong sense of alarm at the current situation.

The amounts of reduced revenues will differ, depending on how long the gap lasts. If the provisional tax rates are brought back in a month or so by means of the ruling coalition using its two-thirds majority in the lower chamber for an override, the amount of reduced revenues of national taxes (gasoline and other taxes) will be about 120 billion yen, and the amount of reduced local tax revenues (from light oil transactions and other taxes) will stay at about 60 billion yen.

National tax revenues are different every year in units from several hundreds billion yen to a trillion yen in accordance with changes in economic trends. The level of about 180 billion yen, the combined amount of reduced revenues both for the central and local governments, is within the level of annual fluctuations.

Even so, the decrease in tax revenues will deal a serious blow to local governments with a weak financial basis. Given this, many local government heads are calling for financial measures to cover their losses. In the press conference, Nukaga indicated a willingness to help local governments with special subsidies, saying: "It would not be proper to do nothing. The government would like to map out appropriate financial measures in accordance with its responsibility."

16) Turmoil in Diet may foment distrust of politics; Ruling and opposition blocs engaged in struggle for leadership with no progress on debate on selection of new BOJ governor, legislation for rescuing hepatitis patients

NIKKEI (Page 2) (Full)  
April 1, 2008

In the divided Diet, where the ruling bloc controls the Lower House but the Upper House is under the opposition bloc's control, the policy-making process seems stalled. There has been no progress on policy discussion with the ruling and opposition parties engaged in a struggle for leadership over such issues as the provisional gasoline tax rate, which expired yesterday, and the selection of a



new Bank of Japan (BOJ) governor, and a bill intended to set fundamental steps to help hepatitis patients. It is also unclear what will happen to key bills planned to be dealt with in the latter half of the current session of the Diet after the budget bill for fiscal 2008 is approved. The current dysfunctional Diet may facilitate the public's distrust of politics.

"It is regrettable to see that no debate has occurred on important occasions. I'll patiently continue my efforts." This remark came out from Prime Minister Yasuo Fukuda at a news conference held late yesterday. Fukuda expressed a sense of helplessness over the current situation in the Diet, where discussion between the ruling and opposition parties has made no headway. When asked about the lopsided Diet, where the policy-making process has been stalled,

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Fukuda revealed a sense of crisis, telling reporters: "We need to pay attention to how other countries look at us."

An amendment to the Special Taxation Measures Law, which includes the maintenance of the current provisional tax rate for gasoline, has not been debated even once before the start of the new fiscal year today in the Upper House, where the opposition bloc holds a majority of seats.

At the end of January, the ruling and opposition parties agreed by the good offices of the Lower House speaker and the Upper House president that they would reach a certain degree of conclusion by the end of the fiscal year 2007 (meaning by the end of March 31). Criticism heard in the ruling camp is that the Liberal Democratic Party's (LDP) executives, who apparently had felt relieved at the agreement, failed to take any action until March. Meanwhile, the major opposition Democratic Party of Japan (DPJ) has just reiterated that the ruling bloc railroaded the budget bill through the Lower House at the end of February and brushed aside policy talks. Both sides undeniably have wasted time.

A new BOJ governor has yet to be chosen with no prospect for a new governor yet in sight. As a result of coordination made until now, many in the government and the ruling bloc take the view that it will be difficult to choose some from the private sector. The government will eventually choose someone from among those hailing from the Ministry of Finance or the BOJ.

Major policy tasks in the Diet and progress

#### Policy tasks Progress

Bills related to tax revenues for road projects Debate on an amendment to the Special Taxation Measures Law is to start in the Upper House on April 2. When discussion of a bill revising the Law for Financial Resources on Road Construction will begin has yet to be decided. When the ruling and opposition parties will negotiate changes to the bill has yet to be in sight.

Selection of a new BOJ governor The secretaries general of the LDP and the DPJ agreed to choose a new governor swiftly. When the government will come up with a candidate for the post is unknown. Bills for rescuing hepatitis patients The ruling bloc-sponsored bill and the DPJ-sponsored bill have been both left in limbo in the Lower House and the Upper House respectively.

Bill for overseas dispatch of the Self-Defense Forces (permanent law for overseas dispatch of SDF) The prime minister instructed his staff to submit the bill to the current Diet session. Coordination is underway in the ruling bloc.

Bill for reform of the civil servant system Coordination is underway in the government and the ruling camp. The government and the ruling bloc aim to get approval for the bill at a cabinet meeting early this month.

17) DPJ President Ozawa: Lower House election may occur in May

MAINICHI (Page 1) (Full)  
April 1, 2008

Ichiro Ozawa, president of the Democratic Party of Japan (DPJ or Minshuto), attended a meeting yesterday of the Japan Trade Union Confederation in Shizuoka City, in which he said:

"There is a possibility that a Lower House election will be held in

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May or June. I'm sure that a general election will take place at least before the end of this year. The number of seats our party has to secure is at least 150 of the 300 seats."

With the expiration of the provisional gasoline tax rate, his remark underlined his view that the Fukuda government will soon reach a dead end.

18) BOJ to revise down projection for growth rate in fiscal 2008 GDP from 2.1 PERCENT to around 1.5 PERCENT

YOMIURI (Page 2) (Full)  
April 1, 2008

It was learned yesterday that the Bank of Japan (BOJ) will likely revise down its projection for real GDP growth in fiscal 2008 from 2.1 PERCENT to around 1.5 PERCENT. Its judgment is that production and personal consumption will inevitably dampen in fiscal 2008 given the slowdown of the U.S. economy, the rapid appreciation of the yen against the dollar, and the sharp rise in crude oil prices.

There is now a stronger possibility of the BOJ leaving the interest rate unchanged at the present level of 0.5 PERCENT, taking the stand that it is necessary to determine the future of the economy even more cautiously, following the downward revision of the GDP projection.

The monthly economic report for March released by the government indicated a view that the Japanese economy has entered a temporary lull, with the future course of the economy remaining unclear. The BOJ's "tankan" survey of business confidence to be released on April 1 will most likely report a decline in the present conditions and future outlook for corporate performance, compared with the previous survey carried out in December last year.

The prevailing view of the future of the economy in the BOJ is severe, with Policy Board member Miyako Suda in a speech given on March 27 noting, "There is now a stronger possibility of the growth rate in fiscal 2008 dropping to a level on a par with the potential growth rate (between the mid- and upper 1 PERCENT range)."

SCHIEFFER